



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0674	<b>Title:</b>	Generally revise laws relating to state land
<b>Primary Sponsor:</b>	Vincent, Chas	<b>Status:</b>	As Introduced

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### **FISCAL SUMMARY**

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b>Expenditures:</b>				
General Fund	\$365,585	\$946,750	\$1,260,548	\$1,707,580
Bond Proceeds	\$10,500,000	\$10,500,000	\$0	\$0
State Special Revenue	\$5,630	\$6,095	\$6,597	\$7,142
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Bond Proceeds	\$10,500,000	\$10,500,000	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$258,750
<b>Net Impact-General Fund Balance:</b>	<b><u>(\$365,585)</u></b>	<b><u>(\$946,750)</u></b>	<b><u>(\$1,260,548)</u></b>	<b><u>(\$1,707,580)</u></b>

### **Description of fiscal impact:**

HB 674 allows the Board of Land Commissioners to request the Board of Examiners issue and sell general obligation bonds to generate up to \$21 million for the purchase of fee simple interests in real property. The Department of Fish, Wildlife and Parks (FWP) will make payment in lieu of taxes (PILT) for all land purchases after the effective date of the bill. Revenue from timber will begin accruing in FY 2013.

### **FISCAL ANALYSIS**

#### **Assumptions:**

#### **Department of Natural Resource and Conservation (DNRC)**

1. For the purposes of this fiscal note, it is assumed that all lands purchased are forested and legally accessible.
2. The Common Schools will be the sole beneficiary and revenue generated from timber harvest will be deposited in the School Facilities Improvement Account.
3. Land purchases will occur in two transactions of the same size. Each will purchase approximately 12,500 acres at \$800 per acre. Exact acreage and price will depend on available funds.
4. The first land purchase will occur in the late summer of 2009 with the first bond payment in February 2012. The second land purchase will occur in the spring of 2011 with first bond payment in August 2012.
5. In addition, land acquisition costs are estimated at \$5 per acre (\$65,500) for FY 2010 and FY 2011.

6. The land purchased will be combined with all other forested state trust lands and managed under the State Forest Land Management Plan (SFLMP) and all applicable laws and administrative rules (ARM 36.11.401–450). There are currently 481,797 classified forest state trust land acres.
7. The lands purchased will have a similar productive capacity and proportion of productive and nonproductive lands as existing forested state trust lands in the Northwestern Land Office and Southwestern Land Office.
8. The addition of these lands will result in an immediate and proportional increase in the sustained yield consistent with the most recent sustained yield study. The total acres purchased will be 25,000 acres, which results in a proportional increase in annual sustained yield of approximately 2.25 million board feet (MMBF). (25,000 ac x 150 BF/ac/yr x .60 harvest of growth = 2.25 MMBF/yr).
9. The 3-year average stumpage value is \$230/MBF. Therefore, the additional annual sustained yield volume of 2.25 MMBF from the additional 25,000 acres would have an estimated value of \$517,500 annually (2.25 MMBF x \$230/MBF = \$517,500).
10. The additional revenue from the first half of the total acquisition (12,500 acres) will be realized beginning FY 2013, due to the time lapse between selling timber and harvesting the timber, which is approximately 18 months. Timber revenue in FY 2013 is estimated to be \$258,750.
11. Additional revenue will be deposited into the School Facility Account, 20-9-516, MCA.
12. 17-1-508, MCA requires analysis of the statutory appropriation relative to the guidance in 17-1-508 (2), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines.

	<u>YES</u>	<u>NO</u>
a. The fund or use requires an appropriation.	X	
b. The money is not from a continuing, reliable, and estimable source.	X	
c. The use of the appropriation or the expenditure occurrence is not predictable and reliable.		X
d. The authority does not exist elsewhere.	X	
e. An alternative appropriation method is not available, practical, or effective.	X	
f. Other than for emergency purposes, it does not appropriate money from the state general fund.	X	
g. The money is dedicated for a specific use.	X	
h. The legislature wishes the activity to be funded on a continual basis.		X
i. When feasible, an expenditure cap and sunset date are included.	X	

#### Department of Administration (DOA)

13. There is two separate \$10.5 million bond issues in late summer 2009 and spring 2011 with 20 year terms.
14. Debt service and bond issuance costs will be paid from the general fund.
15. Interest rates will be 5.0587533% for the Series 2009 and 5.2545835% for the Series 2011.
16. Any underwriters discount will be offset by a reoffering premium.
17. Bond issuance costs will be \$100,000 in FY 2010 and FY 2011.
18. Debt service costs are shown on the chart below.

	FY 2010	FY 2011	FY 2012	FY 2013
Series 2009	265,585	846,750	846,750	846,750
Series 2011			413,798	860,830
Total	265,585	846,750	1,260,548	1,707,580

**Department of Fish, Wildlife and Parks (FWP)**

19. Under HB 674, FWP will continue to make payment in lieu of taxes (PILT) for department owned lands. Lands that are currently exempt will remain exempt.
20. HB 674 will establish statutory appropriations for all payments. HB 2 authority will be reduced by a like amount.
21. In FY 2008, FWP spent \$486,269 for PILT.
22. A decision package (DP 202) in HB 2 requests additional authority of \$94,991 in FY 2010 and \$149,291 in FY 2011 to meet increasing obligations. With the increase, the annual budget would be \$581,260 in FY 2010 (\$486,269 + \$94,991) and \$635,560 in FY 2011 (\$486,269 + \$149,291).
23. Payments have increased an average of 8.25% since FY 2002. This average reflects increases in tax values as well as increases for additional acreage acquired.
24. The estimate obligation for FY 2012 is \$688,021 (\$635,560 x 1.0825) and FY 2013 is \$744,813 (\$688,021 x 1.0825).
25. No land purchases after the effective date of the bill will be exempt.
26. The remaining \$4,300,000 of Access Montana is all the funding available for the purchase of new parks.
27. Applying 72% of the remaining appropriation in assumption 24 for additional parks would be \$3,096,000 (\$4,094,000 x 0.72). FWP assumes that the average cost of an acre statewide is approximately \$1,100. Approximately 2815 acres (\$3,096,000 / \$1,100) could be purchased for new parks.
28. The taxable amount per acre statewide is approximately \$2.00. If 2,815 acres for new parks were purchased, estimated taxes would be \$5,630 (2,815 x \$2.00).
29. Using the percentage in assumption 21, the additional statutory authority needed would be \$5,630 in FY 2010, \$6,095 in FY 2011 (\$5,630 x 1.0825), \$6,597 in FY 20 12 (\$6,095 x 1.0825), and \$7,142 in FY 2013 (\$6,597 x 1.0825).
30. 17-1-508, MCA requires analysis of the statutory appropriation relative to the guidance in 17-1-508 (2), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines.

	<u>YES</u>	<u>NO</u>
a. The fund or use requires an appropriation.	X	
b. The money is not from a continuing, reliable, and estimable source.		X
c. The use of the appropriation or the expenditure occurrence is not predictable and reliable.	X	
d. The authority does not exist elsewhere. Authority is currently in HB2.		X
e. An alternative appropriation method is not available, practical, or effective. It is difficult to assess and estimate for future biennium and requires a BCD each session in HB2.		X
f. Other than for emergency purposes, it does not appropriate money from the state general fund.	X	
g. The money is dedicated for a specific use.	X	
h. The legislature wishes the activity to be funded on a continual basis.	X	
i. When feasible, an expenditure cap and sunset date are included.		X

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>Department of Natural Resources and Conservation</b>				
<b><u>Expenditures:</u></b>				
Operating Expenses (02)	\$65,500	\$65,500	\$0	\$0
Capital Purchase - Land	\$10,434,500	\$10,434,500	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$10,500,000</b>	<b>\$10,500,000</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Funding of Expenditures:</u></b>				
Bond Proceeds (05)	\$10,500,000	\$10,500,000	\$0	\$0
<b><u>Revenues:</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$258,750
Bond Proceeds (05)	\$10,500,000	\$10,500,000	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$10,500,000</b>	<b>\$10,500,000</b>	<b>\$0</b>	<b>\$258,750</b>
<b>Department of Administration</b>				
<b><u>Expenditures:</u></b>				
Operating Expenses				
Bond Issuance Costs	\$100,000	\$100,000	\$0	\$0
Transfers (Interest and Principal)	\$265,585	\$846,750	\$1,260,548	\$1,707,580
<b>TOTAL Expenditures</b>	<b>\$365,585</b>	<b>\$946,750</b>	<b>\$1,260,548</b>	<b>\$1,707,580</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$365,585	\$946,750	\$1,260,548	\$1,707,580
<b>Department of Fish, Wildlife and Parks</b>				
<b><u>Expenditures:</u></b>				
Operating Expenses				
HB2	(\$581,260)	(\$635,560)	(\$688,021)	(\$744,813)
Statutory	\$586,890	\$641,655	\$694,618	\$751,955
<b>TOTAL Expenditures</b>	<b>\$5,630</b>	<b>\$6,095</b>	<b>\$6,597</b>	<b>\$7,142</b>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)				
Parks Earned Revenue	\$5,630	\$6,095	\$6,597	\$7,142
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$365,585)	(\$946,750)	(\$1,260,548)	(\$1,707,580)
Bond Proceeds (05)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$5,630)	(\$6,095)	(\$6,597)	\$251,608

**Long-Term Impacts:**

1. The School Facility Account will have a new ongoing revenue stream. Additional revenue of \$517,500 will be deposited in to the School Facility Account for each year after FY 2013.

**Technical Notes:**

1. Section 8, subsection (3)(b), states that the Department of Administration is to issue warrants to counties payable out of any funds to the credit of the Department of Fish, Wildlife and Parks. It may be advisable to have the FWP issue the warrants since they are the administering agency of their funds.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*



## Dedication of Revenue 2011 Biennium

### Public School Land Acquisition Account

**17-1-507-509, MCA.**

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

No. The State of Montana Common School Trust (K thru 12) is the beneficiary of the dedicated revenue and the State will repay the General Obligation Bonds.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

GO Bond Resolution specifies that bond proceeds be segregating in a separate fund and invested. This cannot be achieved if bond proceeds were deposited into the General Fund.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

Yes. Bond Proceeds will be used to purchase forested lands and managed as School Trust Lands. Lands will provide public access and harvested timber for years to come.

- d) Does the need for this state special revenue provision still exist? ☒ Yes ☐ No (Explain)**

GO Bond Resolution specifies that bond proceeds be segregating in a separate fund and invested. This cannot be achieved if bond proceeds were deposited into the General Fund.

- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

Legislative intent is mirrored within the GO Bond Resolution so the purpose of the expenditure is maintained.

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

The dedicated revenue fulfills legislative intent, and the fund exists as long as the bond proceeds exist. Bond proceeds are estimated to be spent in full within the 2010/2011 biennium.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

No. GO Bond Resolution specifies that bond proceeds be segregating in a separate fund and invested. This cannot be achieved if bond proceeds were deposited into the General Fund.